

## SYLLABUS: FI308 BANK MANAGEMENT

### Time and Location:

- Thursdays 12:55 pm – 15:40pm in Xin Shang Yuan (新上院) S411
- Fridays 12:55 pm – 15:40pm in Xin Shang Yuan (新上院) S411

### Office Hour and Contact:

- Office Hour: Fridays 16:00-18:00 pm or by appointment.
  - The most efficient way to contact me is by email or wechat group, and I will usually reply in 24 hours.
  - Email: nanli@sjtu.edu.cn
- Office Location: ACEM, B705
- Course Website:
  - <https://www.nanlifinance.org/teaching.html>
  - Wechat group
- Teaching Assistants:
  - Mr. Haibo Wu, haibowu@sjtu.edu.cn

### Course Objectives:

This course builds on basic financial theory and the principles courses in economics. It addresses topics that are important for managing financial institutions in a rapidly changing international environment. Upon successful completion of the course, student should be able to understand the role of financial institutions in the economy; explain why banks are unique, and therefore merit special attention; to understand the analytical foundation underlying financial institutions management, and be able to use them to analyze important financial issues, including financial crisis; be familiar with risk management techniques to deal with the various risks banks and other financial institutions face.

### Prerequisites:

- FI100 Finance
- FI005 Money and Banking
- Students are expected to have some background in basic economic theory (macroeconomics and microeconomics), algebra, differential calculus, statistics, and a disposition to keep themselves informed of current developments in the area of banking and finance.
- Note: Please make sure you have adequate background in analytics, linear algebra, statistics, economics and finance. This is a course in finance, with focus on the risk management and quantitative analysis. This course is NOT suitable for students without any training in economics, statistics, analytics or linear algebra.

### Textbooks and References:

#### **Textbook:**

- Saunders and Cornett, *Financial Institutions Management: A Risk Management Approach*, 8th edition/International Edition, McGraw Hill, 2014 (FIM)
- Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services*, 9th Edition, International Edition, McGraw-Hill, 2013 (BMFS)
  - Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services*, 9th Edition (英文缩减影印版), 中国人民大学出版社
  - Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services* (中文版), 9th Edition, 机械工业出版社, 2016

#### **Reference book:**

- John C. Hull, *Risk Management and Financial Institutions*, Second Edition, Pearson, 2010

### Weight of Assessment:

- Final Exam : 40%
- Class Assignments : 30%
- Presentation and Term Paper : 20%
- Class Participation : 10%

**Warning:**

- *Plagiarism is taken very seriously. Students caught plagiarizing in class assignments, term paper, and/or exams in this course have been severely penalized. Any student caught cheating in the final exam will be failed in this course and reported to the school for further penalty.*

**Class Assignment:**

There will be 3-4 class assignments. Students are encouraged to discuss on assignments, but each student should **finish the assignment on her or him own** and hand in separate answers.

**Term Paper and Class Presentation:**

Students are advised to form a working group of **no more than 5 students**. Each group should write a term paper and present it in the class. Each group can choose to write a paper on a case study from the list given in the syllabus or a topic related to bank risk management. However, the topic chosen by each group is subject to the approval of the lecturer.

Note: I expect each group to apply the methods/theory learned in the class to analyze the case or topic of your choice. Simple review of the case or literature review of a topic will result in low score.

The following questions should be addressed in your term paper if a case study is chosen,

- a. What has happened and how did it happen?
- b. To your opinion, what are the specific risks involved? You need to present arguments based on data or facts to support your opinion.
- c. As a bank manager, what lesson in can we learn from this case?

The following questions should be addressed in your term paper if self-selected topic is chosen,

- a. What is the question or problem?
- b. Why this question is important or interesting?
- c. How do you address this question, i.e. empirical analysis or theoretical analysis?

Each group should prepare to present the term paper in **20 minutes** with 3-5 minutes for Q&A. The presentation slides should be submitted before the presentation.

The term paper should be no more than 20 pages with double spaces and fonts no smaller than 10pt. The data source and references should be clearly and completely documented.

Timeline for term paper and presentation(subject to change)

1. Week 3-5: Form group and decide on term paper topic
2. Week 7: Bid for the case study and allocation of the topic.
3. Week 9-16: Presentation of term paper
4. On the day of Final Exam: Due date for term paper.

A “**Best Presentation**” **prize** will be awarded to the group who does the best job in presentation. Each group needs to evaluate the performance of other groups and the Best Presentation prize will be awarded to the group with highest average score from group evaluation and lecture evaluation.

**Class Participation:**

Students are encouraged to actively participate in the class discussion. Such activities include good comments, questions, articles and even pointing out flaws and typos in class material.

A “**Best Question**” **prize** will be awarded to the student who raises interesting questions and/or makes good comments in the class or on the forum.

### List of the Case Study and Research Topics:

- AIG, Allied Irish Bank, Bankers Trust, Barings Bank, China Aviation Oil, Continental Illinois, Daiwa Bank, Lehman Brothers, LTCM, Soci ́ G ́ n ́ rale, Washington Mutual Fund, Norther Rock, UBS Rogue Trader (2011), Citibank in 2008
- Online Banking, Mobile Payment, Micro Finance, Bitcoin, FinTech, and etc.

### Suggested Periodicals:

- Asiamoney [www.asiamoney.com](http://www.asiamoney.com)
- The Asian Wall Street Journal [www.awsj.com](http://www.awsj.com)
- The Banker [www.thebanker.com/](http://www.thebanker.com/)
- The Business Times [business-times.asia1.com.sg](http://business-times.asia1.com.sg)
- The Economist [www.economist.com](http://www.economist.com)
- Euromoney [www.euromoney.com](http://www.euromoney.com)
- The Financial Times [www.ft.com](http://www.ft.com)
- The Financial Times Chinese [www.ftchinese.com](http://www.ftchinese.com)
- The Wall Street Journal [www.wsj.com](http://www.wsj.com)

### Useful Links:

- Federal Reserve
- Federal Deposit Insurance Corporation
- Monetary Authority of Singapore
- China Bank Regulatory Commission
- China Bank Regulatory Commission (English)
- The People's Bank of China
- The People's Bank of China (English)
- China Security Regulatory Commission
- China Security Regulatory Commission(English)
- Data Library of ACEM: <http://202.120.22.10:8080/antai/index>
- Data subscription of ACEM: <http://202.120.22.10:8080/en-antai/resource/0506>

**Course Outlines (subject to revision):**

**Topic 1: Specialness, Risks and Regulations of Financial Institutions**

- Lecture Notes 1
- *Case in Video: [The Crisis of Credit Visualized](#) by [Jonathan Jarvis](#)*
- FIM Chapter 1, 7
- FIM [Appendix 1A](#), The Financial Crisis: The Failure of Financial Services Institution Specialness
- Hart, Oliver, and Luigi Zingales. 2011. "[A New Capital Regulation for Large Financial Institutions](#)." *American Law and Economics Review* 13 (2): 453-490.
- Video: [The Case For and Against Regulation](#) by Professor Oliver Hart, 2018 Nobel Laureate Shanghai Jiao Tong University Special, March 14, 2018.
- Video: [Bank Draft of Ri Sheng Chan--Ancient FinTech](#) 《国宝档案》20121004 古代科技——日升昌汇票

**Topic 2: Organization, Structure, Changing Dynamics of Banking Industry and Performance Evaluation of Commercial Banks**

- Lecture Notes 2
- *Case: [Savings and Loan Debacles](#)* (Reference: FIM Chapter 19)
- FIM Chapter 1-2, 19
- FIM [Appendix 19C](#), Deposit Insurance Coverage for Commercial Banks in Various Countries
- FIM [Appendix 10B](#): Black-Scholes Option Pricing Model
- FIM [Appendix 2A-2D](#): Financial Statement Analysis, Depository Regulators, and Technology in Commercial Banking
- [FDIC Quarterly Banking Profile](#)
- [China Banking Regulatory Commission Annual Report \(in Chinese\)](#)
- [China Banking Regulatory Commission Annual Report \(in English\)](#)
- [China Banking Industry Financial Institution 国内银行业金融机构](#)

**Topic 3: Liquidity Risk and Monetary Policy**

- Lecture Notes 3
- FIM Chapter 1, 12, 18-19
- FIM [Appendix 1B](#), Monetary Policy Tools
- FIM [Appendix 18A](#), Federal Reserve Requirement Accounting
- [China Monetary Policy Report](#)
- [Monetary Authority of Singapore Monetary Policy Statement](#)
- "[Crypto Tokens: The Good, The Bad, and The Ugly](#)" - Speech by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at Money 20/20, 15 March 2018
  - Chinese Translation: [新加坡金管局行长：如何看待加密货币](#)
- [消失中的货币](#), 2018-03-09, [伍戈经济笔记](#)
- [《商业银行流动性风险管理办法》\(Commercial Bank Liquidity Risk Management Effective 2018/07/01 Published on 2018/05/23\)](#)

**Topic 4: Interest Rate Risk**

- Lecture Notes 4
- FIM Chapter 8-9, 22-24
- FIM, [Appendix 9A](#), The Basics of Bond Valuation
- Excel File: [Duration](#)
- [《商业银行银行账簿利率风险管理指引（修订）》\(Commercial Bank Banking Book Interest Rate Risk Management Guidance Revised Effective on 2019/01/01, Published on 2018/05/30\)](#)
- [《商业银行银行账簿利率风险管理指引（修订）》附件](#) (Commercial Bank Banking Book Interest Rate Risk Management Guidance Revised Appendix Effective on 2019/01/01, Published on 2018/05/30)

**Topic 5: VaR and Market Risk**

- Lecture Notes 5
- *Case Study: Orange County Case*
- FIM Chapter 13, 15-16, 22-24
- <http://merage.uci.edu/~jorion/oc/case.html>

- [Data on 5-year yields](#)
- [《商业银行市场风险管理指引》 \(Commerical Bank Market Risk Management Guidance passed on 2004/12/16, Announced on 2004/12/29, Effective on 2005/3/1\)](#)
  - [《市场风险资本计量内部模型法监管指引》征求意见稿](#) (Internal Model for Market Risk Management 3rd Draft 2008/12/3)

#### Topic 6: Credit Risk

- Lecture Notes 6
- *Case Study: Credit Analysis*
- FIM Chapter 10-11, 22-26
- FIM [Appendix 10A](#), Credit Analysis

#### Topic 7: Capital Adequacy and Basel III

- Lecture Notes 7
- FIM Chapter 20
- [《商业银行资本充足率管理办法》 \(Commercial Bank Capital Adequacy Manangement, Annouced on 2004/02/23, Effective on 2004/03/01\)](#)